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RECORDATION NO. 18718-A
FILED 142A
MAY 17 1995 2 50 PM
INTERSTATE COMMERCE COMMISSION

May 17, 1995

Hon. Vernon A. Williams
Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Secretary Williams:

Enclosed are the original and one copy of the document described below, to be recorded pursuant to section 11303 of Title 49 of the U.S. Code.

The document, the Amended and Restated Security Agreement, a secondary document, is dated May 16, 1995. The primary document to which this document is connected is recorded under Recordation No. 18718, dated February 24, 1994.

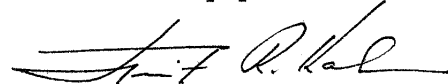
The names and addresses of the parties to the document are the Grantor railroads, Atlantic & Gulf Railroad, 1019 Coastline Avenue, Albany, GA, Mississippi Delta Railroad, Martin Luther King Blvd., Clarksdale, MS, Nash County Railroad, P. O. Box 487, Spring Hope, NC, Wiregrass Central Railroad Company, 812 North Main Street, Enterprise, AL and Yadkin Valley Railroad, 401 Henley Street, Knoxville, TN, and the grantee Bank, NationsBank of Tennessee, N.A., 530 Main Avenue, Knoxville, TN.

A description of the locomotives and cars covered by the document appears in Exhibit A to the document.

This firm's check for \$21 in payment of the fee is enclosed. Please return the original to the undersigned.

A short summary of the document to appear in the index follows: Amended and Restated Security Agreement amending the Security Agreement, with Recordation No. 18718, dated February 24, 1994, and covering the locomotives and cars described in Exhibit A to the document.

Sincerely yours,


Fritz R. Kahn
Attorney for
NationsBank of Tennessee, N.A.

LICENSING BRANCH

MAY 17 2 46 PM '95

RECEIVED
OFFICE OF THE
SECRETARY
MAY 17 1995

Counter Parts - Fritz R. Kahn



Interstate Commerce Commission
Washington, D.C. 20423-0001

5/17/95

Office Of The Secretary

Fritz R. Kahn
Fritz R. Kahn, PC
1100 New York Ave., NW., Ste. 750
Washington, DC., 20005-3934

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 5/17/95 at 2:50PM, and assigned recordation number(s). 18718- A.

Sincerely yours,

Vernon A. Williams
Secretary

Enclosure(s)

(0100629056)

\$ 21.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature

RECORDATION NO. 18718-A FILED 1425

MAY 17 1995 -2 50 PM

TENNESSEE COMMERCE COMMISSION

COPY

THIS AGREEMENT SECURES
OBLIGATORY ADVANCES MADE
FOR COMMERCIAL PURPOSES

AMENDED AND RESTATED SECURITY AGREEMENT

AMENDED AND RESTATED SECURITY AGREEMENT (this "Security Agreement"), dated as of May 16, 1995, made by GULF & OHIO RAILWAYS, INC., a Tennessee corporation ("G&O"); WIREGRASS CENTRAL RAILROAD COMPANY, INC., an Alabama corporation ("Wiregrass"); PIEDMONT & ATLANTIC RAILROAD CO., INC., a Tennessee corporation ("P&A"); ROCKY MOUNT & WESTERN RAILROAD CO., INC., a Tennessee corporation ("RMWR"); ALBANY BRIDGE COMPANY, INC., a Georgia corporation ("Albany"); and GEORGIA & FLORIDA RAILROAD CO., INC., a Georgia corporation ("GFRR") (hereinafter G&O, Wiregrass, P&A, RMWR and Albany are referred to collectively as the "Original Grantors" and the Original Grantors, together with GFRR, are referred to collectively as the "Grantors") to NATIONSBANK OF TENNESSEE, N.A., a national banking association (the "Bank"), pursuant to the Term Loan and Revolving Credit Loan Agreement (the "Original Loan Agreement") dated as of February 15, 1994, by and among the Original Grantors, the Bank and H. Peter Claussen and wife, Linda C. Claussen, Tennessee residents (collectively, the "Borrowers"), as modified by the Modification Agreement dated as of the date hereof by and among the Borrowers, the Grantors and the Bank (the "Modification Agreement") (hereinafter, as the same may from time to time be amended, supplemented or otherwise modified, collectively, called the "Loan Agreement"):

W I T N E S S E T H :

WHEREAS, pursuant to the Original Loan Agreement the Bank agreed to make (a) a term loan to the Borrowers in the original principal amount of \$5,100,000 (the "Original Term Loan") evidenced by a term promissory note in such original principal amount (the "Original Term Note"), and (b) a revolving credit loan facility in the original principal amount of \$500,000 (the "Revolving Credit Facility") under which revolving credit loans are made to the Borrowers (collectively, the "Revolving Loans") evidenced by a revolving credit promissory note in such original principal amount (the "Revolving Credit Note"), for the purposes described in the Original Loan Agreement (hereinafter the Original Term Loan and the Revolving Loans are referred to collectively as the "Original Loans" and the Original Term Note

and Revolving Credit Note are referred to collectively as the "Original Notes"); and

WHEREAS, the Bank has agreed to make a new term loan to the Borrowers in the original principal amount of \$750,000 (the "New Loan"), for the purpose of refinancing existing indebtedness of the Borrowers under the Revolving Credit Note (originally used to acquire certain railroad locomotives in 1994), to fund additional locomotive acquisitions and to fund repair and overhaul costs of certain of the recently acquired locomotives and future locomotive acquisitions; and

WHEREAS, the New Loan will be evidenced by a term promissory note dated the date hereof made by the Borrowers payable to the Bank in the original principal amount of \$750,000 (the "New Note") (hereinafter the Original Loans and the New Loan are referred to collectively as the "Loans", and the Original Notes and the New Note are referred to collectively as the "Notes"); and

WHEREAS, pursuant to the terms of the Loan Agreement, the Original Grantors have benefitted from the making of the Original Loans because the Borrowers have used the proceeds of the Original Loans to make loans to the Original Grantors under substantially similar terms as the Original Loans and the Grantors will benefit from the making of the New Loan because the Borrowers will use the proceeds of the New Loan to make loans to the Grantors under substantially similar terms as the New Loan; and

WHEREAS, the Bank is willing to continue to make the Original Loans (with certain modifications thereto) and make the New Loan but only upon the condition, among others, that the Grantors shall have executed and delivered to the Bank this Security Agreement; and

WHEREAS, this Security Agreement amends and restates the Security Agreement dated as of February 15, 1994 by and among the Original Grantors and the Bank.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Loan Agreement shall have their defined meanings when used herein and the following terms shall have the following meanings, unless the context otherwise requires (such meanings to be equally applicable to the singular and plural):

"Accounts": any "Account", as such term is defined in Section 9-106 of the Code.

"Account Debtor": the party who is obligated on an Account.

"Chattel Paper": "chattel paper" as such term is defined in Section 9-105 of the Code.

"Code": the Uniform Commercial Code as the same may from time to time be in effect in the State of Tennessee.

"Collateral": the meaning assigned to it in Section 2 of this Security Agreement.

"Contracts": all contracts, instruments, undertakings, documents or other agreements in or under which any Grantor may now or hereafter have any right, title or interest.

"Documents": any "documents", as such term is defined in Section 9-105 of the Code.

"Equipment": any "equipment", as such term is defined in Section 9-109(2) of the Code, including, without limitation, the railroad rolling stock described on Exhibit A attached hereto and incorporated herein by reference.

"Event of Default": any of the events specified in Section 9 of this Security Agreement.

"Fixtures": all goods that are or become "fixtures" as defined in Section 9-313(1)(a) of the Code, located on the real property more particularly described in the Deeds of Trust.

"General Intangibles": any "general intangibles", as such term is defined in Section 9-106 of the Code.

"Instrument": any "instrument" as such term is defined in Section 9-105 of the Code.

"Inventory": any "inventory", as such term is defined in Section 9-109(4) of the Code.

"Proceeds": "Proceeds", as such term is defined in Section 9-306 of the Code.

"Security Agreement": this Amended and Restated Security Agreement, as the same may be further amended, restated, supplemented or otherwise modified from time to

time.

2. Grant of Security Interest. Subject to Section 17 herein, as collateral security for the prompt and complete payment and performance when due of all the Obligations and in order to induce the Bank to continue to make the Original Loans (with certain modifications thereto) and make the New Loan in accordance with the terms of the Loan Agreement and the New Note, each of the Grantors hereby sells, assigns, conveys, mortgages, pledges, hypothecates and transfers to the Bank, a security interest in, all such Grantor's rights, titles and interests in, to and under the following, whether now existing or hereafter acquired (all of which being hereinafter collectively called the "Collateral"):

- (i) all Accounts and General Intangibles;
- (ii) all Equipment and Fixtures;
- (iii) all Inventory;
- (iv) all other personal property of each such Grantor, including, without limitation, all rolling stock, locomotives, railcars, boxcars, hopper cars and all machinery, tools, implements and other railroad related appliances, apparatus and facilities, material and supplies used in connection with or pertaining to any railroad lines operated by each such Grantor, including, without limitation, all (A) such property described in the Deeds of Trust and (B) the rolling stock, boxcars and locomotives listed on Exhibit A attached hereto; and
- (v) all Documents, Instruments and Chattel Paper;
- (vi) all leases, rental contracts, rents and income from all that certain property described in the Deeds of Trust;
- (vii) all of each such Grantor's books of account, records, ledger sheets and documents relating to the foregoing;
- (viii) to the extent not otherwise included, all Proceeds and products of any or all of the foregoing (hereinafter, the items listed in (ii), (iii), (iv) and (vii) are referred to collectively sometimes as the "Personal Property").

3. Rights of the Bank; Limitations on Bank's Obligations; Sales and Collections. (a) If required by the Bank at any time after the occurrence of an Event of Default, any Proceeds, when collected by any Grantor, shall be promptly

deposited by such Grantor in precisely the form received, except for its endorsement when required, in a special bank account maintained by the Bank (the "Collateral Account"), subject to withdrawal by the Bank only, as hereinafter provided, and until so turned over, shall be deemed to be held in trust by such Grantor for and as the Bank's property and shall not be commingled with such Grantor's other funds. Such Proceeds, when deposited, shall continue to be collateral security for all of the Obligations and shall not constitute payment thereof until applied as hereinafter provided. If an Event of Default shall have occurred and be continuing, the Bank shall, at such intervals as it shall determine, apply all or any part of the funds on deposit in the Collateral Account on account of the principal of and/or interest on any of the Obligations, the order and method of such application to be in the discretion of the Bank and any part of such funds which the Bank elects not so to apply and deems not required as collateral security for the Obligations shall be paid over from time to time by the Bank to the applicable Grantor. If an Event of Default shall not be continuing, funds deposited in the Collateral Account from any particular Grantor shall be released immediately to such Grantor.

(b) The Bank may at any time notify Account Debtors that the Accounts have been assigned to the Bank and, upon an Event of Default, that payments shall be made directly to the Bank. Copies of such notification shall be delivered promptly to the applicable Grantor by the Bank. Upon the request of the Bank at any time, each Grantor will so notify its Account Debtors. Further, the Bank may in its own name or in the name of others communicate with such Account Debtors in order to verify with them to the Bank's satisfaction the existence, amount and terms of any Accounts.

(c) The Bank shall have the right to make test verifications of the Accounts in any reasonable manner and through any medium it considers advisable no more than twice per year, except in the event of an Event of Default hereunder, in which case the Bank's right to make test verifications of the Accounts shall not be limited in any respect. Each of the Grantors agrees to furnish all such assistance and information as the Bank may require in connection therewith. Each of the Grantors at its expense will cause independent public accountants reasonably satisfactory to the Bank to furnish promptly to the Bank from time to time according to the first sentence in this subparagraph (c), the following reports: (i) reconciliation of all Accounts, (ii) an aging of all Accounts, (iii) trial balances, and (iv) a test verification of such Accounts as the Bank may request.

4. Representations and Warranties. Each Grantor hereby represents and warrants that:

(a) This Security Agreement constitutes a valid obligation of such Grantor, legally binding upon it and enforceable in accordance with its terms. No consent of any other party (including, without limitation, stockholders and creditors of such Grantor) and no consent, license, approval or authorization of, or registration or declaration with, any Governmental Authority, except for (a) filings of UCC-1 and UCC-3 Financing Statements in the appropriate filing offices, (b) compliance with applicable certificate laws with respect to motor vehicles and (c) filing of this Security Agreement with the ICC in accordance with applicable law, rules or regulations, is required in connection with the execution, delivery, performance, validity or enforceability of this Security Agreement with respect to Collateral in existence on the date hereof.

(b) Except for the security interest granted to the Bank pursuant to this Security Agreement, the Grantors are (or, in the case of after-acquired property, will be) the owners of the Collateral, having good and marketable title thereto, free and clear of any and all Liens except for (a) Permitted Liens and (b) the Liens set forth on Exhibit B attached hereto (collectively, the "Other Liens").

(c) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except such (a) as may have been filed by the Grantor in favor of the Bank pursuant to this Security Agreement or any other Loan Document or (b) as is related to the Other Liens set forth on Exhibit B attached hereto.

(d) This Security Agreement constitutes a valid and continuing Lien on and, once all UCC Financing Statements referred to herein are filed, will constitute a perfected security interest in, the Collateral, in favor of the Bank, which Lien will be prior to all other Liens, encumbrances, security interests and rights of others (except for Permitted Liens) once such UCC Financing Statements referred to above are filed and the Grantors have caused the release of the Other Liens as required by Section 4(f) herein. The Lien of this Security Agreement is enforceable as such as against creditors of and purchasers from such Grantor. All action necessary or desirable to protect and perfect such security interest in each item of the Collateral has been duly taken, or, concurrently with the execution and filing of this Security Agreement and applicable UCC Financing Statements, will have been duly taken.

(e) The Grantors' principal places of business and chief executive offices and the places where their records concerning the Collateral are kept are described on Exhibit C attached hereto, and the Grantors will not change such principal places of business or remove such records without the express prior written consent of the Bank.

(f) The amount represented by any Grantor to the Bank from time to time as owing by each Account Debtor or by all Account Debtors in respect of the Accounts will at such time be, to the best of such Grantor's knowledge, the correct amount actually and unconditionally owing by such Account Debtors to such Grantor thereunder.

(g) The only names under which the Collateral is owned, used or sold are the names of the Grantors as described in Exhibit D to this Security Agreement.

(h) Each Exhibit or Schedule hereto contains true and complete information with respect to the subject matter covered thereby.

(i) Each of the Grantors except Albany is a "transmitting utility" as defined in Article 9 of the Code in each state in which it operates except for the States of North Carolina and Georgia.

5. Covenants. The Grantors covenant and agree with the Bank that from and after the date of this Security Agreement and until the Obligations are fully satisfied:

(a) Further Documentation; Pledge of Instruments. From time to time, upon the reasonable written request of the Bank, and at the sole expense of the Grantors, the Grantors will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Bank may reasonably deem desirable in obtaining the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Liens and security interests granted hereby, conveying the Grantors' interests in the Collateral to the Bank and using their best efforts to obtain waivers from landlords and mortgagees. The Grantors also hereby authorize the Bank to file any such financing or continuation statement without the signature of such Grantors to the extent permitted by applicable law.

(b) Maintenance of Records. The Grantors will keep and maintain at their own cost and expense satisfactory and complete records of the Collateral including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. The Grantors will mark their books and records pertaining to the Collateral to evidence this Security Agreement and the security interests granted hereby. For the Bank's further security, the Grantors agree that the Bank shall have a special property interest in all of such Grantors' books and records pertaining to the Collateral, and the Grantors shall make available to the Bank or its representatives such books and records at any time on reasonable demand of the Bank.

(c) Indemnification. In any suit, proceedings or action brought by the Bank relating to the Collateral, the Grantors will jointly and severally save, indemnify and keep the Bank harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the obligor thereunder, arising out of a breach by any Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligor or its successors from any Grantor, and all such obligations of any Grantor shall be and remain enforceable against and only against such Grantor(s) and shall not be enforceable against the Bank.

(d) Compliance with Laws, etc. The Grantors will comply, in all material respects, with all acts, rules, regulations, orders, decrees and directions of any Governmental Authority or any court applicable to the Collateral or any part thereof or to the operation of the Grantors' businesses.

(e) Payment of Obligations. The Grantors will pay promptly when due, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of the income or profits therefrom, as well as all claims of any kind (including claims for labor, materials and supplies), except that no such charge need be paid if (i) the validity thereof is being contested in good faith (ii) such proceedings or negotiations do not involve any danger of the sale, forfeiture or loss of any of the Collateral or any interest therein and (iii) such charge is adequately reserved against on the books of such Grantor(s) in accordance with Generally Accepted Accounting Principles.

(f) Limitation on Liens on Collateral, Other Liens. Except as may be provided in the Loan Agreement, the Grantors will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral except Permitted Liens and will defend the right, title and interest of the Bank in and to any of the Grantors' rights to the Collateral and in and to the Proceeds and products thereof against the claims and demands of all Persons whomsoever. Further, the Grantors will cause such other creditors set forth on Exhibit B to release all their respective Other Liens on the Collateral promptly upon the Bank's funding of the New Loan, and in any event, no later than 30 days from the date hereof.

(g) Limitations on Modifications of Material Contracts, Licenses, Accounts; No Waivers, Extensions. Except as may be provided in the Loan Agreement and except as in the ordinary course of business, the Grantors will not (i) amend, modify, terminate or waive any provision of any material contract or license in any manner which might materially adversely affect the value of such contract or license as Collateral, (ii) fail to exercise promptly and diligently each and every material right which it may have under each material contract and license (other than any right of termination) or (iii) fail to deliver to the Bank a copy of each material demand, notice or document received by it relating in any way to any material contract or license. Except as may be provided in the Loan Agreement, the Grantors will not, without the Bank's prior written consent, grant any extension of the time of payment of any of the Accounts or any amounts due under any material contract or license, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any person liable for the payment thereof, or allow any credit or discount whatsoever thereon other than trade discounts granted in the normal course of business.

(h) Maintenance of Insurance. The Grantors will maintain with financially sound and reputable companies, insurance policies (i) insuring the Personal Property of the Grantors (excepting rolling stock, locomotives, boxcars, hopper cars or other railcars) against loss by fire, explosion, theft and such other casualties as are usually insured against by companies engaged in the same or similar businesses and (ii) insuring the Grantors against liability for personal injury and property damage relating to the use, operation or maintenance of such Personal Property of the Grantors, such policies to be in such form and in such amounts and coverage as may be.

reasonably satisfactory to the Bank, with losses payable to the Grantors and the Bank as their respective interests may appear. The Grantors shall, if so requested by the Bank, deliver to the Bank as often as the Bank may reasonably request a report of a reputable insurance broker with respect to the insurance on the Personal Property. All insurance with respect to the Personal Property shall (i) provide that no cancellation, reduction in amount or change in coverage thereof shall be effective until at least 10 days after receipt by the Bank of written notice thereof, and (ii) be reasonably satisfactory in all material respects to the Bank.

(i) Limitations on Dispositions of Collateral. The Grantors will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except to the extent, if any, permitted by the Loan Agreement or this Security Agreement.

(j) Further Identification of Collateral. The Grantors will furnish to the Bank from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Bank may reasonably request pursuant to the terms of the Loan Agreement or this Security Agreement, and all in reasonable detail.

(k) Notices. Except as may otherwise be provided in the Loan Agreement or Deeds of Trust, the Grantors will advise the Bank promptly, in reasonable detail, (i) of any Lien asserted or claim made against any of the Collateral securing Indebtedness in excess of \$50,000, (ii) of any material change in the composition of the Collateral, and (iii) of the occurrence of any other event which would have a Material Adverse Effect.

(l) Right of Inspection. Upon prior notice to the Grantors, the Bank shall at all times have full and free access during normal business hours to all the books, correspondence and records of the Grantors, and the Bank or its representatives may examine the same, take extracts therefrom and make photographs or photocopies thereof, and the Grantors agree to render to the Bank, at the Grantors' cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. The Bank and its representatives shall at all times also have the right to enter into and upon any premises where any of the Personal Property is located for the purpose of inspecting the same, observing its use or otherwise protecting its interests therein.

(m) Maintenance of Personal Property and Equipment.

The Grantors will keep and maintain each item of Personal Property and Equipment in good operating condition, ordinary wear and tear excepted, and the Grantors will provide all maintenance and service and all repairs necessary for such purpose.

(n) Continuous Perfection. The Grantors will not change their respective names, identities or corporate structures in any manner which might make any financing or continuation statement filed hereunder, or previously filed in favor of the Bank, seriously misleading within the meaning of Section 9-402(7) of the Code (or any other then applicable provision of the Code) unless the applicable Grantor shall have given the Bank at least 60 days' prior written notice thereof or shall have delivered to the Bank acknowledgment copies of UCC-3 financing statements duly executed and duly filed in each jurisdiction in which UCC-1 filings were and are required in order to perfect the security interest granted by this Security Agreement or the Deeds of Trust in the Collateral and shall have taken all action (or made arrangements to take such action substantially simultaneously with such change if it is impossible to take such action in advance) necessary or reasonably requested by the Bank to amend such financing statement or continuation statement so that it is not seriously misleading.

6. Bank's Appointment as Attorney-in-Fact. (a) The Grantors hereby irrevocably constitute and appoint the Bank and any officer or agent thereof, with full power of substitution, as their true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of each Grantor and in the name of each Grantor or in its own name, from time to time in the Bank's discretion, for the purpose of carrying out the terms of this Security Agreement, including, but not limited to, (i) furnishing documents or information about the Loans to any potential purchaser of the Collateral (such authorization provided by the Grantors for the purposes of complying with Tenn. Code Ann. § 45-10-103, and all amendments thereof), and (ii) taking any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, provided, however, that this right will become effective only upon the occurrence of an Event of Default. This power of attorney is a power coupled with an interest and shall be irrevocable.

(b) The powers conferred on the Bank hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Bank shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any

of its officers, directors, employees or agents shall be responsible to the Grantors for any act or failure to act, except for the Bank's own gross negligence, willful misconduct or unlawful act.

7. Performance by Bank of Grantors' Obligations. If the Grantors fail to perform or comply with any of their agreements contained herein or in any other Loan Document and the Bank, as provided for by the terms of this Security Agreement or such other Loan Document, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Bank incurred in connection with such performance or compliance, together with interest thereon at the highest rate provided for in respect of the Loans made under the Loan Agreement, shall be payable by the Grantors to the Bank on demand and shall constitute Obligations secured hereby.

8. Events of Default. Each of the following shall constitute an Event of Default under this Security Agreement:

(a) Failure of the Borrowers to pay any Obligation to the Bank when the same shall become due and payable, whether at maturity, as a result of the Bank's demand for payment or otherwise, and the expiration of all grace periods with respect thereto; or

(b) Failure of any Grantor to perform or observe any covenant set forth herein and seven (7) days shall have elapsed after the Bank has provided written notice to such Grantor or the Borrower of such default, provided, however, that this requirement of notice and cure provided herein shall not apply to any of the covenants set forth in Section 5(f)(g)(i) and (n) hereof; or

(c) Discovery by the Bank that any representation or warranty made by any Grantor herein, or any statement or representation made in any certificate, report or opinion delivered pursuant hereto or in connection herewith was materially untrue or is breached in any material respect; or

(d) The occurrence of an Event of Default, under or with respect to the Loan Agreement, any Note, or any other Loan Document or agreement, document or instrument executed in connection with any existing or future Obligations, and the expiration of all applicable grace or cure periods with respect thereto.

9. Remedies, Rights Upon Default. (a) If an Event of Default shall occur and be continuing:

(i) All payments received by any Grantor under or in connection with any of the Collateral shall be held by

such Grantor in trust for the Bank, shall be segregated from other funds of such Grantor and shall forthwith upon receipt by such Grantor, be turned over to the Bank, in the same form as received by such Grantor (duly indorsed by such Grantor to the Bank, if required); and

(ii) Any and all such payments so received by the Bank (whether from any Grantor or otherwise) may, in the sole discretion of the Bank, be held by the Bank as collateral security for, and/or then or at any time thereafter applied in whole or in part by the Bank, against all or any part of the Obligations in such order as the Bank shall elect. Any balance of such payments held by the Bank and remaining after payment in full of all the Obligations shall be paid over to such Grantor or to whomsoever may be lawfully entitled to receive the same.

(b) If any Event of Default shall occur and be continuing, the Bank may exercise in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code.

(c) The Grantors hereby authorize the Bank to take whatever marketing activities deemed reasonable by the Bank to sell the Collateral and agree to cooperate with the Bank or its representative in such marketing efforts, including but not limited to entering into a marketing agreement for the sale or lease of the Collateral satisfactory to the Bank in its reasonable judgment.

(d) The Grantors also agree to pay all costs of the Bank, including reasonable attorneys' fees, incurred with respect to the collection of any of the Obligations and the enforcement of any of its rights hereunder.

(e) The Grantors hereby waive presentment, demand, protest or any notice (to the extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral, except as otherwise provided herein or in the Loan Agreement.

(f) The Bank shall give the Grantors ten (10) days prior written notice of (i) any public sale and (ii) the date after which any private sale may be made, except as otherwise required by applicable law.

10. Limitation on Bank's Duty in Respect of Collateral. Beyond the safe custody thereof, the Bank shall not have any duty as to any Collateral in its possession or control or in the

possession or control of any agent or nominee of it or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

11. Notices. All notices hereunder to any party hereto shall be delivered in the manner and according to the terms set forth in the Loan Agreement.

12. Severability. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13. No Waiver; Cumulative Remedies, Amendments. The Bank and each Grantor shall not by any act, delay, omission or otherwise be deemed to have waived any of its or their rights or remedies hereunder and no waiver shall be valid unless in writing, signed by the parties to be charged, and then only to the extent therein set forth. A waiver by the Bank or any Grantor of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such party would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of the Bank or any Grantor, any right, power or privilege hereunder, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise or any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law. None of the provisions of this Security Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by the parties hereto.

14. Successors and Assigns; Governing Law. This Security Agreement and all obligations of the Grantors hereunder shall be binding upon the successors and assigns of the Grantors. This Security Agreement shall be governed by, and be construed and interpreted in accordance with, the laws of the State of Tennessee except as may otherwise be required by applicable law.

15. Counterparts. This Security Agreement may be signed in any number of counterparts with the same effect as if the signatures hereto and thereto were upon the same instrument.

16. ARBITRATION. (a) ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO INCLUDING, BUT NOT LIMITED TO, THOSE ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT, THE NOTES

OR ANY LOAN DOCUMENT OR INSTRUMENTS, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW, THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OR JUDICIAL ARBITRATION AND MEDIATION SERVICES, INC. ("J.A.M.S.") AND THE "SPECIAL RULES" SET FORTH BELOW. IN THE EVENT OF ANY INCONSISTENCY, THE SPECIAL RULES SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. ANY PARTY TO THIS SECURITY AGREEMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS SECURITY AGREEMENT APPLIES IN ANY COURT HAVING JURISDICTION OVER SUCH ACTION.

(b) SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN THE CITY OF BORROWERS'S DOMICILE AT THE TIME OF THIS SECURITY AGREEMENT'S EXECUTION AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT AN ARBITRATOR. IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN 90 DAYS OF THE DEMAND FOR ARBITRATION. FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR AN ADDITIONAL 60 DAYS.

(c) NOTHING IN THIS SECURITY AGREEMENT, THE NOTES OR ANY LOAN DOCUMENT SHALL BE DEEMED TO (i) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVER CONTAINED IN THIS SECURITY AGREEMENT, THE NOTES OR ANY LOAN DOCUMENT OR (ii) BE A WAIVER BY THE BANK OF THE PROTECTION AFFORDED TO IT BY 12 U.S.C. §91 OR ANY SUBSTANTIALLY EQUIVALENT STATE LAW, OR (iii) LIMIT THE RIGHT OF THE BANK HERETO (A) TO EXERCISE SELF HELP REMEDIES SUCH AS (BUT NOT LIMITED TO) SETOFF, OR (B) TO FORECLOSURE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. THE BANK MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSURE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS SECURITY AGREEMENT, THE NOTES OR ANY LOAN DOCUMENT. NEITHER THE EXERCISE OR SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

17. Conveyance by GFRR. Notwithstanding anything to the contrary herein this Security Agreement or any other Loan Document, the conveyance and pledge by GFRR of Collateral

hereunder shall be a conveyance and pledge of a security interest in all of GFRR's rights, titles and interests in, to and under the Collateral solely as security for the New Note and all obligations of GFRR under its Guaranty Agreement of even date herewith.

18. Conflicting Terms. Except with respect to the terms of Section 17 herein, if any other term or provision of this Security Agreement conflicts with any term or provision of the Loan Agreement, such term or provision of the Loan Agreement shall take precedence and be deemed to apply, except as such term or provision of the Loan Agreement may be limited by applicable law, in which case the terms and provisions of this Security Agreement in such instance shall be deemed to apply.

IN WITNESS WHEREOF, the Grantors and the Bank have caused this Security Agreement to be executed by their duly authorized officers as of the date first set forth above.

GRANTORS:

GULF & OHIO RAILWAYS, INC.

[SEAL]

SEAL

By: *H. Peter Claussen*

Title: H. Peter Claussen
President

WIREGRASS CENTRAL RAILROAD
COMPANY, INC.

[SEAL]

SEAL

By: *H. Peter Claussen*

Title: H. Peter Claussen
President

PIEDMONT & ATLANTIC RAILROAD
CO., INC.

[SEAL]

SEAL

By: *H. Peter Claussen*

Title: H. Peter Claussen
President

ROCKY MOUNT & WESTERN RAILROAD
CO., INC.

[SEAL]

SEAL

By: *H. Peter Claussen*

Title: H. Peter Claussen
President

ALBANY BRIDGE COMPANY, INC.

[SEAL]

SEAL

By: *H. Peter Claussen*

Title: H. Peter Claussen
President

[SEAL]

SEAL

GEORGIA & FLORIDA RAILROAD
CO., INC.

By: Irving P. Margulies
Title: Irving P. Margulies
President

BANK:

NATIONSBANK OF TENNESSEE, N.A.

By: C. Howard Capito
Title: C. Howard Capito
Vice President

STATE OF TENNESSEE)
) ss.
COUNTY OF KNOX)

On this 16h day of May, 1995 before me personally appeared H. Peter Claussen, to me personally known, who being by me duly sworn, says that he is an officer of Gulf & Ohio Railways, Inc., a Tennessee corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Sheryl L. Plumm
Signature of Notary Public

SEAL

My Commission Expires:

May 26, 1998

STATE OF TENNESSEE)
) ss.
COUNTY OF KNOX)

On this 16h day of May, 1995 before me personally appeared H. Peter Claussen, to me personally known, who being by me duly sworn, says that he is an officer of Wiregrass Central Railroad Company, Inc., an Alabama corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Sheryl L. Plumm
Signature of Notary Public

SEAL

My Commission Expires:

May 26, 1998

STATE OF TENNESSEE)
) ss.
COUNTY OF KNOX)

On this 16th day of May, 1995 before me personally appeared H. Peter Claussen, to me personally known, who being by me duly sworn, says that he is an officer of Piedmont & Atlantic Railroad Co., Inc., a Tennessee corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Shyrl L. Plum
Signature of Notary Public

SEAL

My Commission Expires:

May 26, 1998

STATE OF TENNESSEE)
) ss.
COUNTY OF KNOX)

On this 16th day of May, 1995 before me personally appeared H. Peter Claussen, to me personally known, who being by me duly sworn, says that he is an officer of Rocky Mount & Western Railroad Co., Inc., a Tennessee corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Shyrl L. Plum
Signature of Notary Public

SEAL

My Commission Expires:

May 26, 1998

On this 15th day of May, 1995 before me personally appeared Irving P. Margulies, to me personally known, who being by me duly sworn, says that he is an officer of Georgia & Florida Railroad Co., Inc., a Georgia corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

On this 16th day of May, 1995 before me personally appeared C. Howard Capito, to me personally known, who being by me duly sworn, says that he is the Vice President of NationsBank of Tennessee, N.A., a national banking association organized under the laws of the United States, and that he as such Vice President, being authorized so to do, executed the foregoing instrument for the purpose therein contained, by signing the name of the Bank by himself as such officer.

May 26, 1998

EXHIBIT A
[Boxcars and Locomotives except BankFirst Cars]

A. Locomotives

<u>Loco Number</u>	<u>Rebuilder</u>	Existing <u>Owner</u>	EMD <u>Serial Number</u>	<u>Type</u>
(1) 8047	ICG	MSDR	19382	GP-10
(2) 8056	ICG	WGCR	19898	GP-10
(3) 8068	ICG	AGLF	20147	GP-10
(4) 8090	ICG	AGLF	20757	GP-10
(5) 8104	ICG	AGLF	20283	GP-10
(6) 8311	ICG	AGLF	19231	GP-10
(7) 8314	ICG	AGLF	19264	GP-10
(8) 8395	ICG	AGLF	20840	GP-10
(9) 7720	ICG	AGLF	15851	GP-8
(10) 7738	ICG	MSDR	18410	GP-8
(11) 7913	ICG	AGLF	18419	GP-8
(12) 3832	SP	WGCR	N/A	GP-9R
(13) 3872	SP	WGCR	N/A	GP-9R
(14) 110	MKT	WGCR	N/A	GP-7R
(15) 121	MKT	WGCR	N/A	GP-7R
(16) 2391	-	WGCR	N/A	GP-9
(17) 6226	-	WGCR	N/A	GP-9
(18) 2876	-	WGCR	N/A	GP-9
(19) 1026	-	WGCR	N/A	GP-7
(20) 201	-	YVRR	17048	GP-7
(21) 202	-	YVRR	17039	GP-7
(22) 203	-	YVRR	18051	GP-7
(23) 204	-	YVRR	22930	GP-9
(24) 205	-	YVRR	20344	GP-9
(25) 206	-	YVRR	22781	GP-9
(26) 207	-	YVRR	24825	GP-9
(27) 208	-	YVRR	24848	GP-9
(28) 115 or 119		RMWR	N/A	SW-1
 New				
(29) 8274	ICG	GFRR	19764	GP-10
(30) 8136	ICG	GFRR	23858	GP-10
(31) 8302	ICG	GFRR	19213	GP-10
(32) 8331	ICG	GFRR	23855	GP-10
(33) 8265	ICG	GFRR	22336	GP-10
(34) 8006	ICG	GFRR	20794	GP-10
(35) 8067	ICG	GFRR	22328	GP-10
(36) 8050	ICG	GFRR	25026	GP-10
(37) 8092	ICG	GFRR		GP-10
(38) 8220	ICG	GFRR		GP-10

B. Boxcars/Hopper Cars/Other Railcars

1. MSDR 1000, 1001 and 1002; 50 ft., 70 ton boxcars; AAR type B314.
2. MSDR 12076; 12244; 12350; 12384; all 50 ft., 70 ton boxcars; AAR type A332.
3. MSDR 55412; 50 ft., 70 ton boxcar; AAR type A332.
4. MSDR 560000; 560145; 560391; 560394; 560485; 560511; 560714; 560733; 562354; 562598; 562918; 50 ft., 70 ton boxcars, AAR type A332.
5. MSDR 764470, 764471 and 764472; 4750 cu. ft. covered hoppers; AAR type C113.
6. AGLF 500 and 501, 4750 cu. ft. covered hoppers; AAR type C113.

EXHIBIT B

[Other Liens - See Section 4(b)(c) and Section 5(h)]

None

EXHIBIT C

List of Grantors' Principal Places of Business and Chief Executive Offices:

Principal Places of Business

Wiregrass Central Railroad
812 North Main Street
Enterprise, Alabama 36330

Atlantic and Gulf Railroad
1019 Coastline Avenue
Albany, Georgia 31706

Mississippi Delta Railroad
421 Fourth street
Clarksdale, Mississippi 38614

Albany Bridge Company
1019 Coastline Avenue
Albany, Georgia 31105

Rocky Mount & Western Railroad Co., Inc.
Depot Building, Main Street
Spring Hope, North Carolina 27882

Piedmont & Atlantic Railroad Co., Inc.
8301 Second Street
Rural Hall, North Carolina 27045

Georgia & Florida Railroad Co., Inc.
1019 Coastline Avenue
Albany, Georgia 31706
Employer ID No. 58-2168994

Chief Executive Offices

For all above:

401 Henley Street, Suite 5
Knoxville, Tennessee 37902

EXHIBIT D

[List all names of Grantors under which Collateral is Owned, Used or Sold]

- (A) Albany Bridge Company
- (B) Albany Bridge Company, Inc.
- (C) Atlantic & Gulf Railroad
- (D) Wiregrass Central Railroad
- (E) Wiregrass Central Railroad Company, Inc.
- (F) Mississippi Delta Railroad
- (G) Gulf & Ohio Railways, Inc.
- (H) Nash County Railroad
- (I) Yadkin Valley Railroad
- (J) Piedmont & Atlantic Railroad Co., Inc.
- (K) Rocky Mount & Western Railroad Co., Inc.
- (L) Georgia & Florida Railroad Co., Inc.

May 16, 1995
KX BB
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